

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

In the Matter of:

THE APPLICATION OF WOOD CREEK )  
WATER DISTRICT, OF LAUREL COUNTY, )  
KENTUCKY, FOR (1) A CERTIFICATE )  
OF PUBLIC CONVENIENCE AND NECESSITY, )  
AUTHORIZING AND PERMITTING SAID )  
WATER DISTRICT TO CONSTRUCT A )  
WATERWORKS CONSTRUCTION PROJECT, )  
CONSISTING OF ADDITIONS AND )  
IMPROVEMENTS TO THE EXISTING )  
WATERWORKS SYSTEM OF THE DISTRICT: )  
AND (2) APPROVAL OF THE PROPOSED )  
PLAN OF FINANCING OF SAID PROJECT )

CASE NO. 7956

O R D E R

Preface

On September 5, 1980, the Wood Creek Water District (the "Utility") filed with this Commission its duly verified application seeking a certificate of public convenience and necessity authorizing the construction of improvements to its existing water system, ratification of its existing rates, and approval of the method of financing.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, September 17, 1980. All parties of interest were notified, and no protests were entered.

A copy of a letter from the Sanitary Engineering Division of the Kentucky Department for Natural Resources and Environmental Protection approving the plans and specifications is on file with this Commission.

Findings in this Matter

The Commission, after a review of the record and being advised, is of the opinion and FINDS:

1. That public convenience and necessity requires the construction of certain improvements to its existing water system by the Utility, in the area defined by the application and exhibits filed in this matter.

2. That the construction project proposed by the Utility consists of a new raw-water intake structure with two vertical turbine pumps rated at 1120 GPM each, 1850 feet of raw-water pipe of 16-inch steel, and other appurtenances; all at a \$320,000 total project cost.

3. That any construction deviations from the contract plans and specifications, approved herein, which could adversely affect service to any customer should be subject to the prior approval of this Commission.

4. That the existing rates charged by the Utility provided annual revenues of approximately \$388,049 from approximately 2039 retail customers and two<sup>1/</sup> wholesale customers receiving water service during the test year ending June 30, 1980, and a net income of \$442 for the period.

5. That the Applicant's annual expenses including those of depreciation and interest on long term debt, are estimated to be approximately \$429,759 during calendar year 1981.

6. That the existing rates charged by the Utility and approved by Order entered July 27, 1976, in Case No. 6598, should produce revenues of approximately \$450,660 during calendar year 1981 after inclusions therein for anticipated customer growth and miscellaneous income. The Commission further finds that said revenues from existing rates would result in a net income of approximately \$20,901 for calendar year 1981. The annual growth rate of approximately 9% currently experienced by the Utility should enable the Utility to meet all its operating expenses and provide a reasonable surplus in the succeeding years of operation. However, if this current growth rate should substantially decline and the

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<sup>1/</sup> The two wholesale customers are: The City of London (total annual purchases by the city are approximately 43 million gallons) and the West Laurel Water Association that purchases approximately 88 million gallons per year.

conditions warrant an increase in rates, the Utility should seek a rate adjustment from the Commission in order that all necessary operating expenses and obligations can be met in a businesslike manner.

7. That the financing of this project composed of a \$255,000 ARC Grant, a \$61,000 FmHA loan (40 years at 5%), and \$4,000 in contributions by the Utility is for lawful objects within the corporate purposes of the Utility, is necessary and appropriate for and consistent with the proper performance by the Utility of its service to the public and will not impair its ability to perform that service.

8. That the Utility should furnish the Commission with duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administration, etc.) within sixty (60) days of the date that construction is substantially completed. Further, that the documents should clearly separate the costs for the intake structure, pumps and the raw-water main.

9. That engineering supervision and resident inspection to assure that the construction work is done in accordance with the contract plans and specifications is the responsibility of the Engineer. Further, that said responsibility is not altered or diminished by an agreement between the Engineer and the Utility which provides for resident inspection by Utility personnel.

10. That within sixty (60) days of substantial completion of this construction the Utility should require the Engineer to furnish this Commission with a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

11. That the record and testimony given in this matter indicates that the Utility shares office facilities with the East Laurel Water District, the Laurel County Water District No. 2, and the West Laurel Water Association, with each utility sharing the common expenses and some contractual agreements between them for various services (billing, book-keeping, repairs and maintenance, etc.). The Commission, therefore, finds that the Wood Creek Water District should file with this Commission all contracts concerning services which it provides or has contracted for and which are subject to this Commission's approval.

12. That according to Kentucky Revised Statutes Chapter 74.361, the Kentucky General Assembly has determined that the reduction in the number of water districts operating in the Commonwealth is in the public interest, "in that mergers of such Districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public. . ." Therefore, the Commission further finds that the Wood Creek Water District should investigate the possibilities of merger with the above-mentioned water utilities operating in this area, and report to this Commission the findings of their investigation within ninety (90) days of the date of this Order.

#### ORDERS IN THIS MATTER

The Commission, on the basis of the matters hereinbefore set forth, and the evidentiary record in this case:

HEREBY ORDERS that the Wood Creek Water District be and is hereby granted a certificate of public convenience and necessity to construct the proposed improvements to its existing water system in the area set forth in the application and in accordance with the contract plans and specifications filed in this record.

IT IS FURTHER ORDERED that any construction deviations from the contract plans and specifications, herein approved, which could adversely affect the service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that the existing rates and charges of the Wood Creek Water District as set forth by Order entered July 27, 1976, in Case No. 6598, shall be ratified and remain in effect until such time as they are changed by this Commission.

IT IS FURTHER ORDERED that the Wood Creek Water District be and is hereby authorized to finance this construction project with \$4,000 in the Utility's contributions, a \$255,000 ARC Grant, and the sale of Waterworks Revenue Bonds in the amount of \$61,000 at an interest rate not to exceed 5%. Further, that this \$320,000 in project funds shall be used only for the lawful objects as set forth in the application.

IT IS FURTHER ORDERED that the Wood Creek Water District shall file with the Commission a duly verified document or documents which show the total cost of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) in accordance with Finding No. 8 within sixty (60) days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between the Wood Creek Water District and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection to insure that the contractor's construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications. Further, that an agreement between the Engineer and the Utility for the provision of resident inspection by Utility personnel shall not alter or diminish the Engineer's primary responsibility for supervision of construction.

Secretary